

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park
Helena MT 59620

Board Legislative Committee Minutes
Tuesday March 20, 2007
1:30 PM

Committee Members: Troy McGee. John Paull by phone. Bob Griffith excused.

Staff: Roxanne Minnehan, Melanie Symons, Scott Miller
Kim Flatow, Barbara Quinn and Kathy Samson, MPERA.

Other Attendees: Terrence Smith Board Member by phone
Rusty Wrigg and Jim Christnacht, AMPRE.

Approval of Committee Minutes – John Paull made the motion to accept and Troy McGee seconded the motion for the minutes of the February 27, 2007 meeting and the minutes of the March 13, 2007 meeting. The minutes of both were approved.

Public Comment – *No public comment.*

Executive Director's Report

HB125 – Repay loan for startup costs of the defined contribution retirement plan. This bill passed out of committee and will move to the House floor. There was one “no” vote by Rep. Sales.

HB129 – the General Revisions Bill, is sponsored by Dave Gallik. The bill has passed the House and is in the Senate. It was heard in the Senate State Administration on March 14th and passed out of committee on March 19th with an 11-0 vote.

HB159 – the Funding Bill, is sponsored by Representative Carol Lambert and Senator Larry Jent. The bill was heard in the House State Administration Committee. This bill was tabled in committee on March 19th with an 11-7 vote.

HB131 – Generally revise public employee retirement laws. This is the Governor's bill for reducing the GABA and minimally increasing the employer contributions to actuarially fund the systems. PERB *opposes* this bill in its original form and as amended. It diminishes the current plan and creates disparity among members. The amendments also cause PERS and SRS to not be actuarially sound. This bill has been moved to the House State Admin Committee. On March 19th the committee made 2 amendments to the bill and passed it on to the House floor with an 11-7 vote.

The amendments split the contribution increase over two biennium and took out the language that allocated the employer contribution to 1) pay the DC loan, 2) pay down the plan choice rate and 3) fund the disability plan. This means there

could be problems if HB125 does not pass. A third amendment did not pass – to take the small systems out of HB131 – by a 10-8 vote.

Bill Review

HB293 – Allocate lottery money to teachers' retirement system. PERB is *tracking*. This bill passed and is in the State Administration Committee. General feeling was a dislike of mixing money and not enough money to matter. This bill has been referred to the House Appropriations Committee. A hearing was scheduled for March 9th in the House Appropriations. This bill was tabled on March 14th.

HB544 – Allow for the withholding of dues from retirement pensions. This bill was first heard on February 13th. The Board *opposes* this bill. The bill was amended to only affect the Highway Patrol Officers' and the Municipal Police Officers' Retirement Systems. This bill is scheduled to be heard in the Senate State Administration on March 23rd at 3pm.

HB639 – Create volunteer EMT retirement system. The retirement system is modeled after the VFCA and would take approximately 10 years for the system to become active. Ms. Minnehan and Ms. Symons spoke with Rep. Bergren about this bill. There are many unanswered questions and concerns about this bill. PERA is prepared to discuss the Boards questions and concerns. PERB is *informational/opposes*. This bill was heard in the State Administration on March 20th. Ms. Minnehan voiced concerns with the bill and asked that a study be done prior to going forward with the bill. The hospital association opposed. It does not look like it will get out of committee.

HB765 – Revise retirement laws. The purpose of this bill is to provide certain persons that are serving in the Montana legislature to revoke an irrevocable election. The Board *opposed* this bill for adverse selection and special interest for a select few individuals. The bill passed the House and has transferred to the Senate as of February 27th. Staff has discussed this with Dave Senn, TRS Executive Director. He states the election for legislature is meant to bridge their service. This bill will be heard on March 23rd in the Senate State Admin committee. Ms. Symons suggested that they try once again to have the bill amended.

HB771 – Revise actuarial valuations and reporting for retirement systems. The bill appears to be asking for information that is already being provided. The bill proposes annual actuarial evaluations but allows the extra expense to be excluded from the Board's budget cap. PERA is *informational*. The bill has passed the house and has moved to the Senate as of February 27th. This bill is scheduled for hearing in the Senate State Administration on March 26th at 3pm.

HB814 - Revise postretirement benefits and increases in statewide police retirement systems (was draft number LC0991 - Frank Cole bill). Senator Carolyn Squires has requested Representative Robin Hamilton to sponsor this bill. This bill includes an ad hoc \$500 permanent adjustment to certain retirees before 1991 and increases the GABA from

3% to 5% for all police that have chosen GABA. There is a \$1 million appropriation in this bill. Leapfrogging and a prohibitive cost will mean the PERB will *oppose*. The actuary's analysis shows an increase of \$100 million to the UAL. The amortization periods increases from 21.4 yrs to infinity. This bill was heard in the House State Administration on March 19th and tabled on March 20th in executive action.

HB824 – Exempt military pensions from state income tax. This bill is to be heard in the House Taxation Committee on March 21st. The board has asked staff to go to the hearing and have clarified (B)(iii)(A) and (b) and whether or not it includes all pensions or just military pensions. The way the bill is written it could be interpreted either way. In the past retirees did not pay income tax and a lawsuit was brought forward by the federal retirees that everyone should pay tax. The Board will be *informational* unless it includes all pensions and then would *oppose*.

HB827 (LC1966) – Revise pension plans for new hires. This is Sen. Balyeat's bill and sponsored by Rep. Himmelberger. This bill closes the PERS-DBRP, PERS-DCRP, TRS and ORP and opens a new mandatory DC plan for all new hires beginning July 1, 2009. The actuary is looking at the cost to close the PERS-DB plan. Troy wanted to make it known that the board was not against a DC plan but the Board also questions why a new DC plan is needed. Terry thought staff ought to reaffirm to the legislature the value of the DB plans and let them know the amount of money returned to the communities by way of payment of benefits to retirees. The Board will *oppose* this bill for many technical reasons.

SB62 – Increase payment to advisory board members. PERB is *tracking*. This bill is on the governor's desk.

SB63 – Increase payment to quasi-judicial board members. The PERB is *neutral* and will monitor. This bill increases per diem pay to \$82.00. On February 22nd, the bill has transferred from the Senate to the House. It was tabled on March 12th.

SB72 – Require Senate Confirmation of PERB nominations. PERB is *neutral*. Staff testified that PERB has no objection to this bill at the last hearing on January 12, 2007. This bill, with no amendments, passed the House and is on the governor's desk.

SB175 – Prohibits application of rule until the rule is effective as law. The bill is assigned to Senate State Admin Committee. PERB is *neutral and informational*. The bill passed the House State Admin Committee and Rep. McNutt is to carry the bill on the House floor.

SB177 – Extend time for challenging agency actions. This bill has passed the Senate and has transferred to the House. It will be heard in the Judiciary on March 21st.

SB467 – Revise membership and meetings of Board of Investments. The bill, with amendments, would allow BOI to keep the current number of voting members and add two non-voting members from the legislature, a Senator and a Representative from

different parties with applicable experience. The Board believes this is a good idea and will *monitor*. The bill passed the Senate and transferred to the House as of February 27th. This bill will be heard on March 26th in the House Business and Labor Committee.

SB489 - Allow Public Funds to Invest in Private Corporate Capital Stock. The PERB will *monitor* this bill. The bill is to be heard on March 22nd in House State Admin.

SB532 (LC2459)– Revise firefighter’s retirement laws. This bill was amended and the PERB *supports* as amended. There are now two major points to this bill.

- 1) Authorizing participation in the retirement system by certain fire departments
- 2) Authorizing return to service for a limited number of hours (480) without loss of benefits.

The bill passed out of Committee. The bill transferred to the House on February 28th. This bill will be heard on March 23rd in the House State Admin.

Un-introduced Legislation

None

Other Business

There being nothing else to come before the committee, Mr. Paull made a motion to adjourned the meeting. The motion was seconded by Mr. McGee and the meeting was adjourned at 2:50 pm.